

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF
FAMILY AND SOCIAL SERVICES ADMINISTRATION
STATE OF INDIANA

July 1, 2001 to February 28, 2003

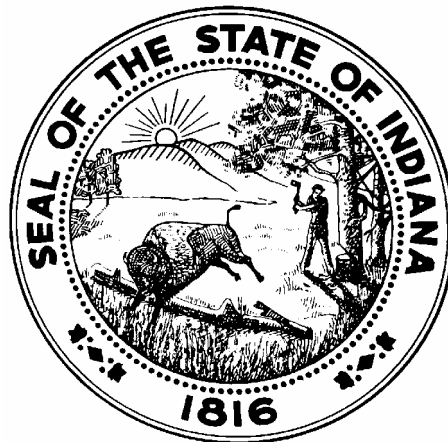


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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary	Mr. John Hamilton	07-01-01 to 09-30-03
	Ms. Mary DePrez (Acting)	10-01-03 to 10-19-03
	Ms. Cheryl Sullivan	10-20-03 to 01-10-05



STATE OF INDIANA

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TO: THE OFFICIALS OF THE FAMILY AND SOCIAL SERVICES ADMINISTRATION

We have audited the records of the Family and Social Services Administration for the period July 1, 2001, to February 28, 2003, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. Separate audit reports are issued on each state institution managed by the Family and Social Services Administration. The financial transactions of this department are reflected in the Indiana Comprehensive Annual Financial Reports.

STATE BOARD OF ACCOUNTS

September 16, 2003

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STATEWIDE SINGLE AUDIT

In conjunction with our audit of Indiana's Family and Social Services Administration, we also tested compliance with federal regulations and grant agreements. Findings relating to the federal programs administered by the department are included in the Indiana Statewide Single Audit for the year ended June 30, 2002.

INCONSISTENT PROCEDURES

Family and Social Services Administration (FSSA) is made up of three divisions which were formerly independent agencies. We stated in our seven prior audit reports (most recently B14879 and B19502) that the three divisions' policies and procedures in accounting activity were inconsistent and incompatible within the present structure. We noted during prior audits that progress had been made through the implementation of standardized processes, communication through manuals and memos, etc. However, there are still various accounting software systems in use. Due to the size and diversity of FSSA's accounting operation, the lack of a standardized system reduces management's control over the accounting operation and the ability to quickly and consistently correct deficiencies and weaknesses when identified.

An agency's accounting responsibilities must include an effective accounting system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

COUNTY OFFICES OF FAMILY AND CHILDREN - ACCOUNTING OPERATIONS

As stated in our five prior audit reports (most recently B14879 and B19502), we observed that the county offices of Family and Children were not consistent in the manner in which they implemented their accounting operations. Some appear to be more accurate and efficient than others. Through further inquiry we found that there is not an operations manual for these offices, though periodic memos are sent.

An agency must have internal controls that provide reasonable assurance for the effectiveness and efficiency of operations. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1) Formal procedures in writing help to facilitate this goal.

COUNTY OFFICES OF FAMILY AND CHILDREN - CONTRACTS AND PROCUREMENT

As stated in our prior Audit Report B19502, we found that it was common practice at the county offices of Family and Children not to utilize contracts when appropriate or to follow the State procurement process.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records. . . . Among other things . . . safeguarding controls over cash . . . are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

The Division of Family and Children at FSSA is in the process of implementing policies and procedures to help ensure the compliance by the county offices of Family and Children with proper procurement and contract usage. FSSA established interim guidelines to be used during the 2002 and 2003 years that the Agency recognizes are not fully in compliance with either state statutes or the Division of Family and Children Policy Directive, but are being utilized to help transition these offices.

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MONITORING

Overview of Prior Finding

State agencies have accounting responsibilities which include maintaining a control environment and maintaining control procedures. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1) Monitoring is an important method which helps to ensure that these responsibilities are met. Additionally, many federal grants require program monitoring by the administrative recipient.

As stated in our five prior audit reports (most recently B14879 and B19502), we noted several serious deficiencies in FSSA's monitoring system. It should be remembered that monitoring is not just a control to help ensure compliance with laws, regulations, and contracts, but also a control to help evaluate the validity of claims to the State, to help prevent fraud, and to help increase the effectiveness and efficiency of programs. In order to do this, monitoring must be not only a review of what has occurred at the end of a contract but what is occurring while the contract is ongoing.

As noted in the prior audit report, it is evident that these issues are being considered and some progress has been made in addressing some of these issues, especially in regard to the Audit Services area (see items D and E). However, the deficiencies noted in prior audit reports do remain to a significant degree and have resulted in federal audit findings as well as current state audit results and comments (see also State of Indiana Single Audit for the year ending June 30, 2002).

We noted the progress and deficiencies of the prior audit report monitoring issues as follows (we will address each issue as outlined in the prior report):

Prior Finding Items A and B (Agency-Wide Monitoring Weaknesses)

- A. The agency does not have standard requirements for internal monitoring. This includes:
 - 1. Lack of formal definition as to what is subject to monitoring.
 - 2. Lack of standard requirements for the various types of program monitoring.
 - 3. Lack of standard requirements for the review of outside financial or A-133 reports.
- B. The coordination of the agency's subrecipient monitoring is disorganized and at times non-existent. Several areas within FSSA perform key elements of the monitoring function (i.e., the individual program areas, audit services, the budget area, etc.). However, because of the lack of an agency-wide monitoring process, the impact of these areas on one another for monitoring purposes is unclear. Also, a comprehensive risk assessment for subrecipient monitoring cannot be performed.

Current Status Items A and B

In January of 2000, FSSA began to document its comprehensive monitoring plan that includes what is subject to monitoring. The monitoring plan attempts to include the monitoring practices of each program. To date this monitoring plan is incomplete. As a result, the lack of standard requirements has not been effectively addressed. Only after the majority of program monitoring practices have been documented and evaluated can relevant standard requirements be implemented.

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FSSA has taken the first steps in the recognition and organization of an agency-wide monitoring process (i.e., FSSA does have standard requirements for the review of outside financial and A-133 reports). However, until the various areas, including fiscal management and budget, are evaluated and the various monitoring functions that each area contributes are integrated, significant weaknesses in the monitoring process will remain.

Prior Finding Item C (Agency-Wide Monitoring Weakness)

- C. The agency does not have a monitoring policy for outside process servers.

Current Status Item C

We found no change for this item.

Prior Finding Items D and E (Audit Services Weaknesses)

- D. It is generally recognized that internal audit is a representative of top management. The job of internal auditors is to investigate and to appraise the internal control systems, both accounting and administrative, as well as review the compliance and the efficiency with which various units are performing their functions. The internal auditors then report their findings and make recommendations to top management.

Currently, the main function of FSSA's audit services section's audit staff appears to be the monitoring of program compliance at the Division of Family and Children's (DFC) local offices and the monitoring of contract compliance. In addition, when deemed necessary, special reviews within the agency have occurred. It was noted in the prior audit that the purpose of the audit services section had not been clearly defined. For example:

1. The function of the audit services section has not been defined in writing.
2. The authority of audit services section is unclear.
3. The audit services section is not utilized consistently across division lines.
4. The audit services section is not utilized consistently in decision making processes such as contract needs, subrecipient requirements, and subrecipient monitoring.
5. The audit services section reports to a senior manager who answers directly to the agency head. This senior manager also is in charge of many fiscal responsibilities. If the audit services section is to perform internal audit functions, even on a limited basis, a greater degree of freedom, independence, and objectivity would be achieved if this section reported directly to the agency head or to a senior manager who does not also have fiscal or program responsibilities.

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- E. FSSA is an extremely large and complex agency. In such an agency internal control is achieved in greater part through the organizational independence of accounting, operation, and custodial departments. Due to a constantly changing environment, the organizational structure can and does change. An ideal independence as described above may at times be lost. For example, currently claims management, procurement, fixed asset control, and audit services are under the same director. While this is not an ideal structure compensating controls can be implemented. If it is determined that monitoring of DFC offices and contracts are to be the main functions of the audit services section, consideration should be given to developing an internal audit section with the characteristics described in section D. This would enhance the current internal control structure at FSSA as well as minimize the problems inherent when an ideal organizational structure is not achieved.

Current Status Items D and E

FSSA has changed their organizational structure to include a new position entitled Assistant Secretary. This position reports directly to the Secretary and does not have immediate program or fiscal responsibilities. Audit Services now reports directly to this position. In addition, Audit Services has become more clearly defined and is now composed of two different units: Contract Compliance and Quality Assurance. Contract Compliance retains the traditional responsibilities associated with the Audit Services Division while the Quality Assurance is taking on the responsibilities associated with internal auditors (i.e., the evaluation and recommendation toward various agency areas and their functions). It is through this unit, in part, that FSSA plans to develop integration of their various divisions and bureaus for a complete monitoring system.

The functions of the Audit Services Division has now been defined in writing. However, until the evaluation of the integration aspects of the agency-wide monitoring system has been completed, the impact of this area's function and lines of responsibility will remain unclear.

DEVELOPMENTAL DISABILITIES CONTROLS

Overview

The Bureau of Developmental Disabilities Services (BDDS) is a part of the Division of Disability, Aging, and Rehabilitative Services (DDARS) within FSSA. BDDS is responsible for the planning and administration of services in community based, residential alternatives for those who meet the criteria of developmentally disabled. The major goal of the Bureau is to support independent living in the least restrictive setting possible for the recipient. To fulfill its goal a variety of services are offered through approved providers. These services include residential habilitation, community habilitation, personal assistance, sheltered employment, and behavior intervention. In addition, funding for living expenses such as rent and utilities may also be awarded. The major funding sources are Medicaid (which consists of various Medicaid Waiver programs), Title XX, and State appropriations. In our prior audit report, B19502, we found control weaknesses in the validation of claims paid and in the assurance process of the appropriateness and necessity of services.

It is evident that these control weaknesses are being considered and progress made. However, the deficiencies noted in the prior audit report do remain to a significant degree. We noted the corrective actions taken during our current audit period.

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Claims Payments

Background

The claims payment system used by FSSA to pay the service provider depends on the funding source for the service provided. Regardless of the system used, the service providers are to maintain sufficient documentation to support the claims that are presented to the State for payment of services. FSSA does not request this documentation at the time of payment for validation. Instead, FSSA relies on monitoring controls. Monitoring controls vary according to funding source as described below.

Medicaid Waiver Funding as Stated in Prior Finding

Medicaid Waiver is Medicaid funding that is available to a Medicaid eligible individual who would be institutionalized without special services. There are various waiver programs that have specific allowable services, depending on the goal of that waiver program. FSSA determines if a recipient is eligible for a waiver program. An Individualized Support Plan (ISP) is then developed which details the specific services that the recipient is allowed to receive within the waiver program. The only claims that the provider should present to FSSA are those based on the specific services identified in the ISP.

FSSA utilizes a contractor, EDS, to process Medicaid claims, including Medicaid Waiver. We found that EDS does monitor to determine if a recipient is eligible for the waiver program being billed and if a provider is eligible to receive a particular type of waiver program payment, but EDS does not monitor to determine if a specific service is allowed for a particular recipient.

All Medicaid payments are subject to review through a monitoring process that is conducted by a contractor, Health Care Excel. However, due to the volume of Medicaid payments and the method of selection, the probability of a Medicaid Waiver payment being selected is very low.

Current Status

Beginning November 1, 2002, the policy is for EDS to pay for a service only if the State has authorized the service prior to delivery.

Title XX as Stated in Prior Finding

Title XX funding is to provide for services that are identified as community day services. The recipient has been approved as meeting the criteria for developmentally disabled. The recipient may or may not be Medicaid eligible, but if Medicaid eligible the recipient is not considered to be at risk of institutionalization if services are not received. The recipient may or may not have a plan that stipulates which of these types of services are needed. A plan would be available only for those recipients who are also receiving State funding for residential services or Medicaid Waiver funding. Funding is not budgeted according to the recipient but is paid out to the provider as claimed. Some services have a limit on the number of units allowed per recipient, but this is tracked by the provider.

Current Status

We found no change.

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State Funding as Stated in Prior Finding

State funding is provided for services that are identified as community residential services. The recipient may or may not be Medicaid eligible, but if Medicaid eligible the recipient is not considered to be at risk of institutionalization if services are not received. When a recipient is determined eligible and a plan of services developed, a line item budget (Individual Community Living Budget or ICLB) is established. The provider claims for these services are paid through FSSA's Financial Management. Financial Management monitors claim payments to verify that the amounts claimed are identified in the ICLB and the amounts requested are not over the monthly amounts budgeted.

Current Status

We found no change during the audit period. Subsequent to the audit period, surveys that included monitoring for appropriate services were implemented. Exceptions found during the surveys require corrective action.

Claims Payment Summary as Stated in Prior Finding

We found that the monitoring for the validation of claims is limited at best. Financial Management's monitoring of residential services claims does provide timely indicators that a specific service is allowable and that the claim does not exceed the budgeted amount. However, except for the monitoring provided by Audit Services, there is no tracing to supporting documentation which would help give assurance that the claim is appropriate and reasonable. EDS's process is even more limited in that the specific service allowed for a recipient is not identified. There is no substantial verification of the validity of day service claims at the time of process.

Medicaid Waiver, residential service, and day service providers are subject to on-site review by FSSA's Audit Services. When a provider is selected, Audit Services does review for allowable costs and sufficient supporting documentation. However, as provider selection is a risk based approach, not all providers will have an on-site review. In addition, Audit Services reviews transactions after the close of the contract period. While this may be used as one part of a system of assurance of the validity of claims, it is not a timely method and does not guarantee that all providers will be adequately reviewed.

Current Status

Medicaid waiver policy now does not allow for payment without verification that FSSA has approved a specific service for a recipient before delivery. Residential and day service payments did not have significant changes during the audit period. However FSSA provided documentation to support that planning for monitoring changes did occur. Also, evidence was provided that additional monitoring processes had been implemented for residential services subsequent to our audit period.

Subsequent to Audit Period - Claims Payment as Stated in Prior Finding

Subsequent to our audit period, FSSA contracted with EDS to perform on-site reviews of Medicaid Waiver providers starting in January 2002. All waiver providers will have on-site reviews. These reviews will expand from the review of DD Waivers to incorporate other types of waivers. These reviews include the examination of supporting documentation. Initially, these reviews have found significant occurrences of documentation that does not support services billed and documentation errors (scratch outs, white out/alterations,

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etc.). The first phase of this review process is intended to be educational and to give providers an opportunity to make corrections and changes to their processes. Residential service providers and day service providers may be the same providers as selected by EDS for waiver reviews, but these claims are not included in the population examined. Also, we found that this information was not shared with Audit Services.

Current Status

It is policy for results of these reviews to be shared with Audit Services.

Appropriate and Necessary Services as Stated in Prior Finding

To help assure that the services that a recipient receives are appropriate and reasonable, FSSA requires that the recipient have a plan and a budget for the services required by the plan. Each recipient has a team that develops the plan. Two key members of the team are the service coordinator and the case manager.

The service coordinator is a State employee located at a BDDS district office. The coordinator determines eligibility, approves the individual community living budget, has placement authority and works with the recipient to plan, coordinate, and access appropriate services.

The case manager is an advocate for the recipient. The case manager assists the recipient in obtaining the needed services and help plan, monitor, and evaluate the recipient's services on an on-going basis. FSSA also relies heavily on the case manager to monitor that the recipient is actually receiving the services required and that the services are appropriate. Case management services may be provided by Area Agencies on Aging (AAA), local service providers, or independent case managers. Though some case management services may initially be provided by a State employee through the BDDS district office, in general case managers are not State employees.

We found that there was no quality assurance reviews of the services performed by either service coordinators or case managers. We also found that there is a potential for conflict of interest when the case manager is employed by the same entity that also provides other types of services to recipients.

We found that not all recipients have a plan or a case manager. While the service coordinator may take on more responsibilities in these circumstances, we did not find compensating controls that would provide assurance that the recipient was receiving appropriate and reasonable services.

Subsequent to our audit period, we found that the newly developed Bureau of Quality Improvement Services (BQIS) (started in late 2000) had developed a provider and case management standard annual survey as well as other surveying techniques. In addition, the case managers are to fill out a case management ninety day checklist that is easily accessible by both BQIS and BDDS through a data base and subject to periodic reviews.

Current Status

As stated above, surveys were developed and checklists subject to periodic review were implemented. Both of these allow for monitoring by FSSA of case managers and providers. In addition, if an entity employs case managers and also provides other services to recipients, that entity is required to submit a plan demonstrating how they will assure that there is no conflict of interest. However, FSSA does not have a specific process in place to verify the implementation of this plan. There was no change in status for the control weaknesses found for those recipients without a case manager.

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Providers with Fiduciary Responsibilities to Recipients as Stated in Prior Audit

At times the service provider may have fiduciary responsibilities directly to the recipient (i.e., the provider is payee for the recipient's benefits or the provider is responsible for the receipt and deposit of recipient's living expenses from the State). FSSA requires that the provider keep accounting records to support transactions made by the provider on behalf of the recipient and that these records be identifiable to the recipient. We found the monitoring of this by FSSA to be very limited.

Subsequent to our audit period, the BQIS included in their survey an inquiry concerning recipients' perceived satisfaction of how their money was handled and whether there was documentation. However, the surveyors did not have training or guidelines as to what would be appropriate and what resulting steps to take. BQIS is now working on a detailed financial review worksheet that is to be filled out by the case manager and incorporated with the ninety day checklist.

Current Status

No change.

Overview as Stated in Prior Audit

There are significant control weaknesses over developmental disabilities. Claims are not validated on a timely basis and audit checks before payment of Medicaid Waivers and day service are inadequate. Also, day service is not adequately controlled to ensure that services provided are appropriate and necessary. There are not sufficient controls in place to address the conflict of interest of service providers when case management is one of those services. There is no quality assurance in place to help ensure that service coordinators are consistent across the State. Finally, FSSA's oversight of the service providers' fulfillment of fiduciary responsibilities to recipients is limited. Activities subsequent to our audit period indicate that the Agency is aware of some of these weaknesses and is taking steps to strengthen controls.

Current Status

There are still significant control weaknesses over developmental disabilities. However, there has also been significant progress with the implementation of the new payment policy for Medicaid Waivers as well as increased monitoring tools through surveys.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently signed and dated prior to the last day worked.

Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

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DOCUMENT RETENTION

Seven of sixty employee attendance reports selected for our audit could not be located. Therefore, we were unable to verify that supporting documentation agreed to Auditor of State's records. Also, we selected five employees with positive adjustments to gross. FSSA was not able to locate supporting documentation for these adjustments.

Documents should be retained in accordance with a retention schedule approved by the Oversight Commission on Public Records. Also, documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapters 15 and 1)

FAMILY AND SOCIAL SERVICES ADMINISTRATION
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2003, with Mr. John Hamilton, Secretary of the Family and Social Services Administration. The official response to the audit findings has been made a part of this report and may be found on Pages 14 through 21.



"People
helping people
help
themselves"

Joseph E. Kernan, Governor
State of Indiana

***Indiana Family and Social Services
Administration***

402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Date: October 3, 2003

To: Charles Johnson III, State Examiner
State Board of Accounts

From: Venita J. Moore, Deputy Secretary

Attached, you will find the FSSA response to the compliance audit ending February 2003. If you require additional information, please feel free to contact me at 232-1194.



INCONSISTENT PROCEDURES

Auditee Contact Person: Karen Kinder
Title of Contact Person: Director of Budget and Finance
Phone Number: (317) 234-0197

The Family and Social Services Administration (FSSA) agrees that a standardized system to account for and track the financial activity of the agency is necessary to enhance management's control over the accounting operation. As we have stated in previous responses, FSSA continues to make progress in the standardization of policies, procedures and processes for the accounting and tracking of revenues and expenditures and is pursuing the possible use of the Government Management Information System (GMIS). FSSA just completed the "fit-gap" analysis and is awaiting the price estimate from DoIT. However, it must be noted that the funds that had been appropriated for GMIS implementation were part of FSSA's SFY 2002 and SFY 2003 reversion target and funding was not budgeted for implementation in SFY 2004 or SFY 2005 due to budgetary restraints.

Until FSSA is in a financial position to implement GMIS or another standardized accounting system, FSSA will continue to insist that all policies, procedures and processes are consistent across all Office of Budget and Finance accounting activity areas.

COUNTY OFFICES OF FAMILY AND CHILDREN--ACCOUNTING OPERATIONS

Auditee Contact Person: Michael Murray/Karen Kinder
Title of contact Person: Acting Director, Division of Family & Children/Director of Budget and Finance
Phone Number: (317) 232-4446/(317) 234-0197

The Family and Social Services Administration (FSSA) and the Division of Family and Children (DFC) agree that all county offices should be consistent in the manner in which they implement their accounting operations. FSSA and DFC continue to pursue the possibility of implementing a standardized accounting system that can be used both by FSSA and DFC Central Office and by each county office. In the interim, FSSA and DFC will require that operations manuals be in each county office by no later than February 2004.

COUNTY OFFICES OF FAMILY AND CHILDREN--CONTRACTS AND PROCUREMENT

Agency Contact Person: Michael Murray
Title of Contact Person: Assistant Director, DFC
Phone Number: (317) 233-4450

The Division of Family and Children proposes to address the **procedural** part of this finding in two ways:

1. By October 1, 2004, approximately 50% of the need for local office contracts will be addressed by incorporating the local funds into the state contracts for Titles IVB Parts I and II. DFC proposes to "piggyback" on a procurement and solicitation process that is presently outlined in the Plan for Child Welfare Services for Federal Fiscal Years 2004 and 2005. It is proposed that this process will be incorporated into the FSSA Contract Management System (CMS).
2. For those services that are procured and contracted solely with local funds through the local offices, a procedure will be developed by February 15, 2004. This procedure will include a plan for implementation by January 1, 2005. It will include clear guidelines for procedure and a thorough training plan for all stakeholders including both central and local office staff.

MONITORING

Auditee Contact Person:	Debra Short
Title of Contact Person:	Deputy Director, Audit Services
Phone Number:	232-6859

Prior Finding Items A and B (Agency-Wide Monitoring Weaknesses)

The Office of Audit Services determined all funding programs for FSSA as of December 31, 2002. In May 2003 a survey was sent to responsible program directors requesting information on funding levels, funding source, monitoring responsibilities, responsible staff, metrics, etc. Responses were received and reviewed. From this, an audit plan and checklist were developed. FSSA's Internal Audit Staff began the first phase of comprehensive monitoring in September 2003. The objective of Phase 1 is to review all program areas and funding streams to assess control risk and evaluate the control environment. It is expected that 30 of the funding accounts will be reviewed by December 2003 and that all of the remaining accounts (approximately an additional 120 accounts) will be reviewed by June 30, 2004. This review will be used to document monitoring strategies and plans of the various program areas. Further, a report that includes recommendations will be sent to the area reviewed and the respective division director. In addition, an agency-wide risk matrix will be developed to rank priority areas.

Future subgrantee audit assignments will be made based upon the risk assessment determined from this phase. In addition, phase 2 of this project will be prioritized so that the program areas with the higher risk assignments will be reviewed first. Phase 2 will consist of a more in-depth review of program areas. Phase 2 is expected to begin in the fall of 2004.

Prior Finding Item C (Agency-Wide Monitoring Weakness)

Prior Finding Items D and E (Audit Services Weaknesses)

As described above, an agency-wide monitoring review is underway. As each funding stream and/or program area is reviewed, a written report will outline the findings and recommendations for improvement. Any findings requiring immediate attention will be directed to the appropriate management staff so immediate action can be taken. Future assignments for subgrantee audits as well as a prioritization of phase 2 of the comprehensive monitoring will be largely based on the findings from phase 1.

DEVELOPMENTAL DISABILITIES CONTROLS

Agency Contact Person/Title:	Kristen Schunk
Title of Contact Person:	Assistant Director, DDARS
Contact Person's Phone Number:	232-1147

Medicaid Waiver Funding

Beginning on November 1, 2002, all services provided to an individual through the Plan of Care/Cost Comparison Budget (the document used to approve services for the waiver program) will only be paid by EDS if the service has been authorized by the State prior to the service being delivered and paid (similar to Prior Authorization in the Medicaid State Plan program). This will assure that only approved services are paid. In addition, EDS reviews of waiver providers will continue. Information from these reviews will be shared with Audit Services.

As a result for the need of a recoupment plan for implementation we obtained approval from CMS in August 2003. EDS is currently in the process of recruiting the appropriate staff. In addition, EDS is working on developing policies, procedures and system enhancements to facilitate the additional work.

The Provider Community has been informed that they may be subject to recoupment in Bulletin number BT200305. We anticipate being fully functional for recoupment by the end of the calendar year 2003. CMS has recently requested a re-compete for this piece of business. OMPP is currently working with CMS on this issue.

In order to insure that the services billed are only services authorized on the Cost Comparison Budget (CCB) all waiver services for each waiver are housed on separate group tables. If a claim is submitted for payment for a waiver procedure, there are several system checks that occur before payment. First, the system checks that the recipient is "enrolled" or has a LOC (Level of Care) for the particular code being billed. That code is checked to make sure it is on that group table for that waiver. In addition, the provider number is checked to make sure that the provider is certified to offer that service. This is done by checking for the appropriate provider specialty. If any of these criteria are not present, the claim will be denied for the appropriate error code.

One additional step of the process that has recently been added to the DD and the A&D waivers is the process that links the CCB to the services being paid in the claims process.

Once the CCB is approved for the recipient, that information is transferred to the EDS PA (Prior Authorization) tables and each claim is checked against this table during adjudication to verify that the recipient was authorized for the service. If the service was not on the CCB then the claim will deny with a 3001 edit.

A Change System Request (CSR) (IN013124) has been written to add all of the other waiver programs to the PA database. It is currently in the requirements gathering phase. We believe this CSR will be implemented by January 1, 2004.

Case Managers are instructed in procedures for reporting suspected fraud in the Medicaid program. The Bureau of Quality Improvement Services (BQIS) also does reviews of documentation when completing monitoring. A 90 day check list is used to assure that appropriate services and supports are in place and is being revised to incorporate a fiscal component. They are also aware of the procedures for reporting suspected fraud and they have referred fiscal issues/concerns to EDS. The new Provider and Case Management Standards, which are in Indiana Administrative Code, were effective January 1, 2003.

Title XX and Validation of Adult Day Service (Title XX) Claim

Title XX funding is to provide for services that are identified as community day services. The recipient has been approved as meeting the criteria for developmentally disabled. The recipient may or may not be Medicaid eligible, but if Medicaid eligible the recipient is not considered to be at risk of institutionalization if services are not received. The recipient may or may not have a plan that stipulates which of these type of services are needed. A plan would be available only for those recipients who are also receiving State funding for residential services or Medicaid Waiver funding. Funding is not budgeted according to the recipient but is paid out to the provider as claimed. Some services have a limit on the number of units allowed per recipient, but this is tracked by the provider. For the audit period July 1, 2001 through February 28, 2003 no action took place on this item except planning.

The Bureau of Developmental Disabilities Services plans to put in place a system to approve services for each recipient and billing will be based on that approval. This will be similar to the process used for the Individual Community Living Budget (ICLB) for State Funding of residential services. This will allow for the verification of the validity of day service (Title XX) claims at the time of process. This was initially scheduled to be completed by July 2003, however that process has been delayed and it is uncertain at this time when it will be completed. We are currently working on a systems consolidation project with the Division of Technology Services and the Title XX recipient case management is included in that project under the case management portion.

FSSA is in the early planning stages for design of an integrated service authorization/claims payment system for Adult Day Services (Title XX). In the interim we established a process to collect claims information by individual. In order to accomplish the verification of billing against the proper funding source, each provider must submit an electronic submission of a report indicating by client the services being billed on the claim. This was put in place July 1, 2003.

The Bureau of Quality Improvement Services completes Community Vocational/Habilitation Surveys to assure that planned services and supports are in place as identified in the individual's Individualized Support Plan.

State Funding

BDDS and Financial Management continue to only pay claims that have been approved through the Individual Community Living Budget (ICLB) regardless of the funding source. BQIS monitors compliance with these standards through the use of three standardized survey tools and through on-site compliant investigation, when appropriate. These survey tools are based upon 460 IAC 6 (provider standards) and 460 IAC 7 (person centered planning and the use of the Individualized Support Plan). Non-compliance with the standards can result in corrective action, which is monitored by BQIS. Failure to complete correction action can result in sanctions being imposed. With 460 IAC 7 fully promulgated on May 21, 2003, the Bureau started surveying agencies the first of June. The Residential Services and Supports and the Community Vocational and Habilitation surveys are targeted at assuring the appropriate services and supports are in place for individuals. Training for providers took place in April of 2003 for all BDDS ICLB providers. The Bureau of Fiscal Services continues to closely monitor claims against ICLBs. Claims are reviewed to determine the following: if a claim was submitted on time, if the individual has an approved ICLB for the services and/or residential living expenses being billed, and to make sure they have not exceeded the allotted budgeted amounts.

Claims Payment Summary

Medicaid Waiver, residential service and day service providers are subject to investigation based upon any complaint related to fiscal issues (RLA, CCB etc). The Bureau of Quality Improvement Services has and will continue to initiate an investigation upon any complaint of fiscal mismanagement. BQIS also accesses the EDS system in order to appropriately respond to complaints relating to concerns about payment. BQIS is now coordinating reviews with EDS.

Appropriate and Necessary Services

BDDS has a Policy and Procedure Manual, manuals for Case Management and each of the waivers and sends bulletins to providers and staff that are to be applied consistently throughout the State. BDDS hired a policy and procedure analyst in March of 2003. This position is responsible for reviewing the BDDS manuals and updating them as required. BDDS will identify additional ways to provide on-going oversight of Service Coordinators to assure these procedures are being applied uniformly.

Effective 2/8/03 any provider wishing to provide case management services and other services is required to submit a plan to the Bureau of Quality Assurance demonstrating how they will assure that there is not conflict of interest.

Revisions are underway to amend 460 IAC 6 to add standards relating to ethics for all providers of supported living services and supports. The public hearing for this rule amendment is September 24, 2003. In addition, all providers are reviewed in compliance

with 460 IAC 6-7 by staff within the Bureau of Quality Improvement Services. The Residential Services and Supports survey tool and the Community/Vocational and Habilitation survey tool look specifically at the Individualized Support Plan developed through a person centered planning process to assure that appropriate services and supports are in place.

The case manager 90 day check list is completed by the case manager every 90 days to further assure that appropriate services and supports are in place.

Staff within the Bureau of Quality Improvement Services also investigates complaints which may result in an agency having to submit a corrective action plan to address deficiencies. The Bureau of Developmental Disabilities has the right to impose sanctions against providers, may discontinue the provision of services to an individual or individuals, may halt the provider from serving additional individuals or may terminate continuation of any services by a provider.

Additional Service Coordinator positions and community placements have increased.

Providers with Fiduciary Responsibilities to Recipients

The 90 day check list is under revision to incorporate a fiscal component. This is currently being revised in the automated INsite system. Revisions include:

- Asking if a provider is responsible for the individual's fiscal transactions
- Asking if the provider has maintained a separate account for the individuals
- Asking if the provider has supplied monthly account balances and records of transactions to the individuals/legal representative
- Asking for clear documentation that the individual's checkbook has been balanced

The BQIS is responsible for responding to all complaints and these have included concerns related to fiscal matters, investigations have resulted in providers completing thorough examinations of fiscal practices. This is evidenced in the example of Normal Life of Southern Indiana who as a part of their corrective action plan (as a result of a complaint investigation) had outside auditors audit the accounts of all individuals they were providing residential services and supports. This resulted in the establishment of a new system of accounting for this provider.

ATTENDANCE REPORTS

Auditee Contact Person:	Karen Kinder
Title of contact Person:	Director of Budget and Finance
Phone Number:	(317) 234-0197

The Family and Social Services Administration (FSSA) agrees that employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. FSSA sent a broadcast email to all employees on February 3, 2002 reiterating the procedure for submission of attendance reports. FSSA will send another broadcast email on October 1,

2003 reminding all staff of the procedure and will continue to send a reminder once each quarter.

DOCUMENT RETENTION

Auditee Contact Person: Karen Kinder
Title of contact Person: Director of Budget and Finance
Phone Number: (317) 234-0197

The Family and Social Services Administration (FSSA) agrees that documents should be retained in accordance with the agency's approved retention schedule. Working with the State Board of Accounts work papers on the records that could not be located, the Office of Budget and Finance will determine where the records were filed in error and return them to their appropriate files. A notice will go out to all Office of Budget and Finance staff by the end of October 2003 reiterating the agency's retention policy and the importance of ensuring that all information is appropriately labeled and filed correctly.